



3545 Whitehall Park Drive, Suite 400
Charlotte, NC 28273
Phone: 704.295.1234
Fax: 704.295.1202

J. Spencer Williams
President & Chief Executive Officer
swilliams@rch1.com
Phone: 704.248.1131
Fax: 704.353.9800

February 5, 2019

Chairman Richard Neal
Committee on Ways and Means
U.S. House of Representatives
Washington, D.C. 20515

Ranking Member Kevin Brady
Committee on Ways and Means
U.S. House of Representatives
Washington, D.C. 20515

Dear Chairman Neal and Ranking Member Brady:

On behalf of Retirement Clearinghouse ("RCH"), we write to applaud you for your commitment to improving retirement security. Everyone deserves the opportunity to retire with dignity and financial independence, but retirement is at risk for far too many Americans because of systemic problems that result in people cashing out their savings before retirement. Fortunately, the Department of Labor recently issued guidance that will allow full implementation of Auto Portability, a private sector innovation that reduces cash outs by making retirement savings accounts more portable.

RCH is a financial technology services organization uniquely focused on the issues that arise because of the proliferation of small retirement accounts. We work every day with plan sponsors and service providers to deal with those issues and have pioneered solutions, like Auto Portability, that are proven to deliver unprecedented benefits to America's defined contribution system.

More people are saving in a 401(k) than ever before thanks to, among other things, the adoption of auto enrollment under the Pension Protection Act of 2006. However, the workforce is mobile, and people change jobs multiple times over the course of their careers. That creates a challenge as transferring one's savings accounts is often an expensive and time-consuming process. Because there are no uniform measures in place to help participants move their savings from their former employers' plans into active accounts in their current employers' plans, many participants wind up stranding their accounts or prematurely cashing them out.

Cashing out is the most detrimental choice a retirement-saver can make. Our data shows that a hypothetical 30-year-old worker who cashes out a \$5,000 401(k) savings account today will forfeit the \$30,000 that the balance would have accrued by age 65. The risk of cashing out is particularly acute when a person with a small balance (*i.e.*, less than \$5,000) is involuntarily moved from a plan to an IRA.

The Department of Labor recently issued guidance that paves the way to solving the cash out problem through the implementation of Auto Portability. That technology allows RCH to search the databases of retirement account record-keepers and look for duplicate accounts. When RCH finds a match, we contact the account holder and ask if they would like to roll over their old account into their new account. The account is then automatically transferred unless the participant opts out. Extensive privacy safeguards are in place to ensure personal data is never compromised.

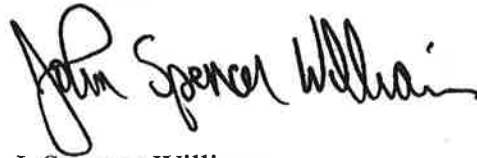
We estimate that more than 125 million workers would avoid cashing out their small-balance accounts and, instead, preserve their savings in their current-employer plans if Auto Portability were implemented over the course of 10 years and stays in effect for a generation. Furthermore, \$1.5 trillion would be added to Americans' retirement savings. Auto Portability will be particularly impactful for African-Americans, who have dramatically higher cash-out rates than other 401(k) plan participants. We estimate that it would help African-Americans save \$151 billion more than they would without the program. A recent study by the Employee Benefits Research Institute ("EBRI") also estimated that Auto Portability would reduce the retirement savings shortfall for middle-aged working women by 21 percent for single women and up to 38 percent for widows.

Auto Portability would improve retirement outcomes when combined with coverage expansion proposals being considered by the Committee. For example, EBRI recently looked at the impact of Auto Portability when paired with the reforms proposed by Chairman Neal in the Automatic Retirement Plan Act of 2017 (H.R. 4523, 115th Congress). EBRI found that the legislation would reduce the aggregate national savings shortfall by up to \$645 billion, and *there would be an additional reduction to the shortfall of \$287 billion* if Auto Portability were also fully implemented.

Auto Portability was designed to reduce cash outs, but the technology that makes Auto Portability possible has broader applications. For example, it is common for people to lose track of their retirement accounts when they change jobs, and employers often find it challenging to track down missing participants. The reporting system that is currently in place – run through the Social Security Administration – is simply not effective because there is no mechanism to take proactive steps to reunite people with their savings. Although well intentioned, legislative proposals to create a national registry using the same stale data will do little to solve the problem. A better solution is to utilize the technology underlying Auto Portability to locate and notify participants using the most up-to-date information available. That would not only help working families but would allow Congress to reduce burdensome employer reporting requirements.

We appreciate your attention to retirement security and your interest in improving outcomes for all Americans. We would be pleased to discuss these issues in more detail or provide additional information.

Sincerely,

A handwritten signature in black ink, appearing to read "J. Spencer Williams". The signature is fluid and cursive, with the first name "J." being particularly stylized.

J. Spencer Williams